

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

JOINT APPLICATION OF BARBOUR)
MANOR DISPOSAL PLANT, INC. AND)
BARBOUR MANOR UTILITIES, INC.) CASE NO. 8933
FOR APPROVAL OF SALE AND TRANS-)
FER OF ASSETS AND INCREASE IN)
RATES)

O R D E R

IT IS ORDERED that Barbour Manor Utilities, Inc. shall file an original and six copies of the following information with the Commission (with a copy to the Attorney General's Consumer Protection Division) by March 26, 1984. In the event the requested information is not available, the utility shall state explicitly why the information cannot be furnished. If neither the response nor a motion for extension of time is filed by the stated date, the case may be dismissed.

1. With reference to Item No. 2, using Format A, provide a thorough analysis of all costs comprising 1982 and projected sludge hauling charges per load. Also, the staff interprets the correspondence from MSD, Exhibit "B2", as meaning that after MSD installs weighing facilities, the dumping charge will be \$0.16 per net 100 pounds without a \$34 per truckload charge. However, the projection of sludge hauling charges, Exhibit "B", includes this \$34 item. Please provide a statement from MSD clarifying the

price to be charged per 4,300 gallon load after the weighing facility is installed.

2. Please provide a copy of the water bill for the period of October 29 to (circa) December 29, 1982.

3. Provide copies of invoices for chemical purchases from December 1, 1981 to January 31, 1983. Were all of the chemicals included in Chemicals Expense on the December 31, 1982 income statement actually used during that period? Provide evidence indicating the quantity of chemicals purchased and used at the Barbour Manor plant during the test year.

4. With reference to Item No. 22, based on the number of customers listed as living in Sections 1 and 2 (118) and in 3A and 3B (152), charged \$7.50 and \$10 per month respectively, annual operating revenues figure to \$28,600. However, Exhibit E of the Application lists test-year revenues as \$29,947. Please explain:

a. The additional amounts included in Operating Revenues in the test year.

b. Whether December 1981 revenues were included in 1982 revenues.

c. Whether the previous owner recorded revenues at net collected, or net remitted, by Louisville Water Company.

d. Whether the present owner records revenues at net collected, or net remitted, by Louisville Water Company.

5. Our records indicated that Mr. Carroll Cogan began operating Barbour Manor October 1, 1982. It is indicated in the response to Item No. 6 that this occurred in September 1982. Please provide the following:

a. The exact date that Mr. Cogan began operating Barbour Manor.

b. The journal entries used to record the transfer.

c. An explanation of why the transfer was not recorded as required by Utility Plant Instruction 4 of the Uniform System of Accounts for Class C and D Sewer Utilities.

6. With reference to Item No. 11, explain the basis for using the proposed method for calculating transportation expense and provide a detailed breakdown of the following transportation costs:

a. Manager's car	\$450/month
b. Utility van	315/month
c. Visa: miscellaneous operations expense	<u>400/month</u>
	\$1,165/month

7. Included as an exhibit in the response to the last information request is an invoice from Kentucky Sewer Service No. 25560. No reference is made to, or explanation given for, this invoice. Please explain which item it was intended as a response to and in which account it is included on the test-year income statement.

8. With reference to Item No. 9, it is stated that the C.F.S. contract is attached as Exhibit "D". Apparently it was omitted as we did not receive a copy of this contract. Please provide this item so as to complete all KAR filing requirements.

9. With reference to the proposed Rate Case Expense of \$4,600, please provide the following:

a. Actual expenses which have been incurred to date for consulting, accounting, and legal services.

b. The basis for the amounts listed for consulting, accounting, and legal costs included within the Rate Case Expense breakdown.

c. A schedule of the hourly rates for consulting, accounting, and legal costs that will be charged to Barbour Manor for this rate case.

d. A detailed description of the consulting, accounting and legal costs that will be charged to Barbour Manor in this case and an estimate of the number of hours that will be charged to Barbour Manor for these services.

e. Copies of contracts for consulting, accounting, and legal services relating to this case.

10. The invoice submitted in the response from Grover Equipment Company for \$1,345.50 is illegible. Please provide either a legible copy of this invoice or a narrative explaining the details of this expenditure.

11. Provide a copy of the log showing the number of visits and the amount of time spent by Andriott-Davidson Service Company, Inc., ("Andriott-Davidson") in providing routine maintenance to Barbour Manor from September 1982 to present. Also, provide a copy of the checklist of duties performed at each visit.

12. Please provide an explanation of the transactions which resulted in the following account balances at December 31, 1983:

a. Notes Receivable from Associated Companies	\$2,400
b. Accounts Payable - C. F. Cogan	2,000
c. Accounts Payable - Andriott-Davidson	600
d. Accounts Payable - Andriott-Davidson	7,108
e. Accounts Payable - Related	249
f. Accounts Payable - Trade	5,574

13. When determining rates, it is the policy of the Commission to carefully analyze transactions occurring between associated companies during the test year. Since Mr. Cogan is the sole owner and president of both Barbour Manor and Andriott-Davidson and all charges to Account No. 714 during the test year were paid to Andriott-Davidson, a more in-depth description and analysis of services provided than is furnished in the invoices is needed in order to determine the appropriateness of the test-period charges to this account.

a. With reference to the following 1982 and 1983 invoices:

1982

- 1) No. 1021-2
- 2) No. 1206-12
- 3) No. 1206-3, job completed November 4, 1982

1983

- 1) No. 928-02, job completed September 15, 1983

- 2) No. 720-4, job completed June 1, 1983
- 3) No. 720-4, job completed July 14, 1983
- 4) No. 519-3, job completed April 19, 1983
- 5) No. 1018-11
- 6) No. 705-3
- 7) No. 452-2

For each job (or invoice) listed above, please provide the following:

- 1) Total labor charges billed.
- 2) Number of employees performing job.
- 3) Total hours worked by each employee performing job.
- 4) Rates billed for each employee per hour.
- 5) Rates paid by Andriott-Davidson to each employee per hour.
- 6) Total mileage charges.
- 7) Total miles traveled.
- 8) Rate charged per mile or other basis for transportation charges.
- 9) Cost to Andriott-Davidson of materials listed on invoice.

An analysis of the 1983 invoices is required because they were submitted to support the proposed adjustment to this account.

b. Provide a complete and thorough explanation of verbal and/or written agreements between Barbour Manor and Andriott-Davidson for non-routine maintenance services. If there is a written agreement, please provide a copy.

14. Andriott-Davidson, who provides routine maintenance service to Barbour Manor, is under the same ownership as Barbour Manor. Since transactions between Andriott-Davidson and Barbour Manor are, by definition, less than arms-length, additional information is needed to determine the appropriateness of the test-period charge to Barbour Manor for the services provided by Andriott-Davidson under the routine maintenance contract.

a. With reference to the standard routine maintenance contract, using Format B, please provide a detailed explanation of the basis for and the method of determination of the monthly charges for each component of service provided. Please thoroughly explain the method and basis of prorated or allocated costs.

b. Please provide a complete list of all sewer utilities that are provided routine maintenance services by Andriott-Davidson. Include for each utility listed the following:

- 1) The monthly routine maintenance fee presently in effect and the effective date of that fee.
- 2) The previous monthly routine maintenance fee and the effective date.
- 3) The number of customers served by each utility.
- 4) The number of sewage treatment plants and the GPD capacity of each plant during 1983.
- 5) The location of the plant.
- 6) Whether the service is provided under the standard contract or a special contract. (Provide copies of special contracts).

7) For each utility served under the standard contract identify by number each component of service provided for that utility.

8) Provide the number of visits to each treatment plant covered under the contract and the number of visits actually made to each treatment plant during calendar year 1983.

c. Has Barbour Manor negotiated with any other entities who provide routine maintenance services for sewer utilities?

1) If yes, provide written documentation of any communication regarding such negotiations, including the date of the communication and estimates or quotes of charges.

d. Has Barbour Manor considered any alternatives to contracting routine maintenance services, such as hiring full- or part-time employees? If so, provide complete details of those considerations.

Done at Frankfort, Kentucky, this 13th day of March, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

Format A

Analysis of Sludge Hauling Expense

Per Load

	<u>1982</u>	<u>Projected</u>
1. C.F.S.: Cost of Providing Services		
a. Labor	\$	\$
b. Travel		
c. Other		
1)		
2)		
d. Margin		
2. M.S.D. Dumping		
a. Flat fee	\$	\$
b. Per 100 pounds fee		
3. Other		
a.	\$	\$
b.		
TOTAL CHARGE	\$ 105	\$ 160

Format B

Cost Justification for

\$450 Routine Maintenance Expense

Costs to Andriott-Davidson to provide
routine maintenance services to Barbour
Manor per month*:

1. Basic Labor	\$ _____	_____ hrs.
2. Supervisor Labor	\$ _____	_____ hrs.
3. Health Insurance	\$ _____	
4. Workmen's Compensation	\$ _____	
5. Pension Plans	\$ _____	
6. Overhead	\$ _____	
7. Vehicle Cost	\$ _____	
8. Vehicle Operating Costs	\$ _____	
9. Other		
a. _____	\$ _____	
b. _____	\$ _____	
c. _____	\$ _____	
10. Margin	\$ _____	
	\$ 450 per month	

*Thoroughly explain any pro ration or allocation of costs and the basis
for using such methods.